SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS

Main Office
818 West Seventh Street
12th Floor
Los Angeles, California
90017-3435

t (213) 236-1800
f (213) 236-1825

www.scag.ca.gov

MEETING AGENDA OF THE

WATER POLICY TASK FORCE

Thursday, January 12, 2006
10:00 a.m. – 1:00 p.m.

Meeting Location:
SCAG Offices
818 W. 7th Street, 12th Floor
San Bernardino A&B Conference Rooms
Los Angeles, CA 90017
213.236.1800

If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Dan Griset at 213.236.1895 or griset@scag.ca.gov.

SCAG, in accordance with the American with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation in order to participate in this meeting. If you require such assistance, please contact SCAG at (213) 236-1868 at least 72 hours in advance of the meeting to enable SCAG to make reasonable arrangements. To request documents related to this document in an alternative format, please contact (213) 236-1868.

DOC #117514v1

AGENDA
WATER POLICY TASK FORCE

January 12, 2006

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1.0 CALL TO ORDER

Introduction of new Task Force member: Stan Carroll, Joseph Serrano, Todd Campbell and Rick Ramirez.

2.0 PUBLIC COMMENT PERIOD

Members of the public desiring to speak on an agenda item or another item, but within the purview of this Task Force, must notify staff to the Task Force prior to the meeting. At the discretion of the Chair public comments may be limited to three minutes.

3.0 APPROVAL OF MINUTES

Approve the minutes of the November 10, 2005 meeting. (Minutes will be available at the meeting and on the Task Force website: http://www.scag.ca.gov/wptf/index.htm)

4.0 PRESENTATION ITEM FOR THE TASK FORCE

4.1 The Association of California Water Agencies' (ACWA) Blueprint for California Water: "No Time to Waste" 3

Greg Wilkinson, an attorney with Best, Best & Krieger and chair of the ACWA Committee responsible for drafting the Blueprint, will brief the Task Force on the recommendations made in this statewide effort to guide policy and action throughout California and beyond. The Task Force will consider recommending SCAG support for the Blueprint.

4.2 South Delta Improvements Program 6

Randall Neudeck, Program Manager for the Metropolitan Water District of Southern California, along with Fran Spivy-Weber, representing the Mono Lake Committee, will discuss the South Delta Improvements Program (SDIP). This Program is the first major implementation package of statewide significance within the CALFED program, the state and federal collaboration aimed at addressing the complex issues of the water quality and supply in the Bay-Delta ecosystem. The panelists view the Program from different perspectives. The Task Force will consider a staff recommendation that SCAG support the Program.

4.3 Status of Water Bond Proposals **9**

Kathy Cole, Legislative Representative for Metropolitan Water District in Sacramento, will brief the Task Force on the water bond proposals currently circulating in Sacramento. This is an information item.

4.4 The AB 2717 Landscape Task Force Report and Water Use Efficiency Policy and Programs in Orange County **10**

Larry McKenney, Manager of Orange County's Watershed and Coastal Resources Division and Task Force member, and Joe Berg, Water Use Efficiency Program Manager for the Municipal Water District of Orange County, will report on the recently completed Report to the Governor and Legislature by the AB2717 Landscape Task Force. The Report contains Findings, Recommendations and Actions intended to improve landscape water use efficiencies statewide. The panelists will describe the results achieved in Orange County with water use efficiency projects.

4.5 Downey's Comprehensive Strategy for Managing Stormwater Runoff **12**

Gerry Greene, Water Resources Control Specialist with the City of Downey and Task Force member, will describe Downey's comprehensive strategy for managing stormwater runoff in various kinds of development projects in their city.

5.0 CHAIR'S REPORT

6.0 STAFF REPORT

7.0 TASK FORCE INFORMATION SHARING

8.0 COMMENT PERIOD

10.0 ADJOURNMENT

The next Task Force meeting will be held on March 9, 2006.

Lunch is sponsored by
CALLEGUAS MUNICIPAL WATER DISTRICT

MEMORANDUM TO THE WATER POLICY TASK FORCE

January 12, 2006

TO: ***Members of the Water Policy Task Force***

FROM: ***Daniel E. Griset, Sr. Regional Planner, 213.236.1895, griset@scag.ca.gov***

SUBJECT: ***The Association of California Water Agencies' (ACWA) Blueprint for California Water: "No Time to Waste"***

RECOMMENDED ACTION:

The Task Force recommends that the Energy and Environment Committee endorse for Regional Council adoption a resolution of support for the ACWA Blueprint for California Water.

BACKGROUND:

The policy committees and Board of ACWA have developed recommendations for highlighting the issues that must be addressed in order to better secure California's water future. These recommendations were developed by a committee chaired by Greg Wilkinson, an attorney with Best, Best & Krieger, who will introduce the ACWA Blueprint to the Task Force. The Blueprint, entitled "No Time to Waste" contains the following twelve recommendations:

- Improve the existing Sacramento-San Joaquin River Delta water conveyance system to increase flexibility and enhance water supply, water quality, levee stability and environmental protection in the near term.

- Evaluate long-term threats to the Delta levee and conveyance system and pursue actions to reduce risks to the state's water supply and the environment.

- Ensure delivery of adequate Colorado River supplies for Southern California and defend California's rights on the Colorado River.

- Implement and fund the Sacramento Valley Water Management Program.

- Develop additional groundwater and surface water storage, including proposed surface storage projects now under study if they are determined to be feasible.

- Support and fund local efforts to expand recycled water use and implement best management practices for urban and agricultural water use efficiency.

- Improve the quality of California's drinking water supplies to safeguard public health and enhance water quality for agriculture and the environment.

- Work with local agencies to overcome constraints to developing seawater and brackish groundwater desalination.

- Modernize the federal Endangered Species Act and other laws and regulations to allow water infrastructure projects, water supply and water quality activities to proceed while protecting species and habitats.

- Expedite the approval process for voluntary water transfers.

- Clarify and expand the state's role in flood control and promote multi-benefit flood control projects.

- Support integrated regional water management plans.

An Agenda attachment presents an ACWA Side-by-Side comparison of various action plans proposed by ACWA, the Public Policy Institute of California, the Planning and Conservation League, the Pacific Institute and the Department of Water Resources 2005 California Water Plan (already considered by the Task Force). While this comparison has limitations, it provides some summary information of value.

RESOLUTION No. 06-472-1

A RESOLUTION OF THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS SUPPORTING "NO TIME TO WASTE": A BLUEPRINT FOR CALIFORNIA WATER

WHEREAS, after an extended stakeholder process among many public water agencies, a statewide task force has developed and the ACWA Board has approved, a comprehensive policy document, *No Time to Waste: A Blueprint for California Water*; and

WHEREAS, the *Blueprint* frames the discussion and decision-making required to provide all Californians with adequate supplies of high quality water, a healthy environment and a strong economy for decades to come; and

WHEREAS, the time is now for the water community and other public interests to propose a policy statement and action plan for meeting California's future water needs; and

WHEREAS, the *Blueprint* makes a number of common sense recommendations that will, when implemented, guarantee clean and safe drinking water, irrigation for agriculture, and protection for California's natural resources and important ecosystems; and

WHEREAS, the *Blueprint* addresses key factors that could change both the availability of California's water supply and the most effective strategies for meeting water needs, including risks to groundwater quality, climate change, and new drinking water issues;

NOW, THEREFORE, BE IT RESOLVED, that the Regional Council of the Southern California Association of Governments hereby supports *No Time to Waste: A Blueprint for California Water*; and

BE IT FURTHER RESOLVED, that all stakeholders in California's water system are encouraged to support and implement the provisions of the Blueprint.

APPROVED AND ADOPTED by the Regional Council of the Southern California Association of Governments at a regular meeting on this 2nd day of March, 2006.

_____
TONI YOUNG
President, SCAG
Councilmember, City of Port Hueneme

_____
Karen Tachiki
Chief Legal Counsel, SCAG

_____
Mark Pisano
Executive Director, SCAG

MEMORANDUM TO THE WATER POLICY TASK FORCE

January 12, 2006

TO: ***Members of the Water Policy Task Force***

FROM: ***Daniel E. Griset, Sr. Regional Planner, 213.236.1895, griset@scag.ca.gov***

SUBJECT: ***South Delta Improvements Program***

RECOMMENDED ACTION:

The Task Force recommends that the Energy and Environment Committee endorse for Regional Council adoption a resolution of support for the South Delta Improvements Program, an implementation effort specified in the 2000 CalFed Record of Decision.

BACKGROUND:

The South Delta Improvements Program (SDIP) is a series of interrelated actions to manage water levels and water quality, protect fish and provide increased flexibility for operations of the Central Valley Project (CVP) and the State Water Project (SWP). The sponsors of the Program are the United States Bureau of Reclamation (BoR) and the California Department of Water Resources (DWR), working as lead Federal and State agencies, respectively, for SDIP.

The specific actions of the Program include the following:

- Replace a seasonal rock gate installed to protect fish with a permanent operable gate at the Head of Old River,
- Replace three seasonal rock gates with permanent operable flow gates on Middle River, Grantline Canal and Old River (near the city of Tracy),
- Improve flow conditions in south Delta channels with limited dredging in Middle River, Old River and West Canal,
- Extend 24 existing local agricultural diversions in the south Delta to deeper water to limit the necessity for more frequent gate operations, and
- Increase the permitted diversion capacity at the SWP Clifton Court Forebay to allow more operational flexibility to increase diversion rates when the increase will not harm the Delta's fisheries or local agricultural users.

The SDIP has been proposed in response to three important water management needs:

(1) The operations of the SWP and CVP export facilities in the south Delta can change flow patterns in the local channels. This can cause migrating San Joaquin River fall- /late fall-run Chinook salmon, a candidate for listing under the federal Endangered Species Act, to move into the south Delta, primarily through Old River where fish mortality increases due to predators and higher levels of exposure to export facilities and agricultural diversions. Keeping fall- and late fall-run

Chinook salmon in the main channel of the San Joaquin River until they reach the central Delta may increase their survival.

(2) Local South Delta water users downstream of the head of Old River are affected by water quality and water levels at each intake location. These conditions are influenced by many factors, one of which is diversions in the south Delta by the SWP and CVP.

(3) There are unmet water supply needs, with respect to quantity and reliability, south of the Delta for agriculture, municipal and industrial, and environmental uses.

Meeting these objectives by implementing the SDIP is intended to provide increased operational flexibility and the ability to respond to real-time fish conditions while improving water supply reliability.

The four permanent, operable gates proposed through SDIP will replace the current, cumbersome, seasonable rock gates that have been installed by the DWR. The operable gates provide operational flexibility that the seasonable rock gates do not have. This flexibility will allow the gates to be operated on a "real-time" basis in response to unanticipated, changing conditions in the south Delta region.

The flow control gates would be operated from April through November on an as-needed basis to protect water levels and water quality for local agricultural diversions. The gate at the Head of Old River would normally be closed from mid-April through mid-May during the outmigration period for San Joaquin River salmon smelts and from September through October, as needed, to improve dissolved oxygen content on the stretch of the San Joaquin River from Old River to the Stockton Deep Water Ship Channel for inmigrating adult salmon during the pre-spawning period. Operation of the gates outside of these "pre-set" periods would only be on an as-needed basis subject to prior approval by State and federal fish and wildlife agencies.

DWR and BoR plan to implement the proposed actions under SDIP in two separate and distinct stages. The Final EIR/S for SDIP has identified a preferred alternative for gate construction and operation, channel dredging and agricultural diversion relocation (Stage 1 actions). The Final EIR/S also includes a range of alternatives for increasing the maximum diversion limit for Clifton Court Forebay up to 8500 cubic feet per second (Stage 2 action) but will not identify a preferred alternative. After the Stage 1 decision documents are completed (Record of Decision and Notice of Determination), various public workshops and forums will be held around the State to gather further public input before identifying a preferred alternative for increasing the diversion limit to 8500 cfs. Once the preferred 8500 alternative has been identified, it will be submitted to the public for further review/comment and a final decision will be made by DWR and BoR in a subsequent ROD/NOD. The preferred 8500 alternative would be implemented after the completion of construction of the Stage 1 actions.

If approved, completion of channel dredging and diversion extensions is expected by Fall 2008 and completion of the four permanent gates is scheduled for Spring 2009 (Stage 1 actions). Implementation of the preferred operational alternative for 8500 cfs would happen after the construction of the Stage 1 actions. The cost for these actions has been estimated at about $90 million. The source of funds are varied, ranging from voter-approved Propositions 204 (approved in 1995), 13 (approved in 2000), 50 (approved in 2002), the 1992 Central Valley Project Improvement Act, CVP, SWP and local funds.

If the four gate configuration is implemented, the permanent gates on Middle River, Old River near Tracy and Grantline Canal are intended to improve circulation in local south Delta channels. An improvement in circulation is expected to benefit water quality and dissolved oxygen levels beyond the current conditions with the existing rock gates. Also, the gate at the Head of Old River would impede fish from migrating from the San Joaquin River into the interior south Delta, where they could be exposed to further loss from the effects of local agricultural diversions and the operation of CVP and SWP export facilities. DWR and BoR have proposed

specific protective measures to be used during times when permanent south Delta gates are constructed and dredging/diversion relocations are conducted to ensure no harm is caused to Delta fisheries.

Detailed hydrodynamic and water quality studies of SDIP have concluded that there will not be any significant adverse effects to Bay-Delta water quality from SDIP implementation. In addition, DWR and BoR will work to identify and implement additional actions that may be needed to provide for the continuous improvement in water quality called for in the CALFED Program.

The August 28, 2000 CALFED Record of Decision specified that: (1) permanent gate installation, (2) selective channel dredging and, (3) agricultural diversion modifications, be carried out to improve conditions for local agricultural diverters. In addition, maximum diversion capability at SWP's Clifton Court Forebay (CCF) was to be increased to 8500 cfs and subsequently 10,300 cfs provided that new fish screens were installed at CCF. After two years of study, however, the cost of new fish screens at CCF was estimated to be $1 to 2 billion dollars. Because of this high cost, CALFED decided that SDIP should only propose an 8500 cfs increase, with the 10,300 cfs increase and new CCF fish screens requiring further detailed studies.

A summary of the Program is available on the web: http://sdip.water.ca.gov/documents/SDIP_brochure.pdf

MEMORANDUM TO THE WATER POLICY TASK FORCE

January 12, 2006

TO: ***Members of the Water Policy Task Force***

FROM: ***Daniel E. Griset, Sr. Regional Planner, 213.236.1895, griset@scag.ca.gov***

SUBJECT: ***Status of Water Bond Proposals***

RECOMMENDED ACTION:

Consider for future policy action.

BACKGROUND:

Several water bond proposals have emerged in recent months. Most recently the Governor has proposed a $25 billion bond issue for funding infrastructure investments, including water, in California. Senator Perata has proposed a $10 billion bond measure that also includes water projects. The consultant group that has developed earlier water bond measures also has a water bond in for the early required Attorney General review.

Kathy Cole, Legislative Representative for Metropolitan Water District, will brief the Task Force via conference call on the current status of these various measures. It is anticipated that the Legislature will consider these various proposals and possibly enact legislation that will bring a measure to the ballot as early as June. If the required 2/3 legislative passage for a measure of this kind is not achieved, some of these proposals are expected to use the public initiative process for electoral consideration.

At its next meeting, once these bond proposals have been further defined, the Task Force will have an opportunity to recommend a SCAG position on these measures.

Attached to the Agenda is a Summary of the Governor's 2006 State of the State proposal that includes provisions for water resources management.

MEMORANDUM TO THE WATER POLICY TASK FORCE

January 12, 2006

TO: ***Members of the Water Policy Task Force***

FROM: ***Daniel E. Griset, Sr. Regional Planner, 213.236.1895, griset@scag.ca.gov***

SUBJECT: ***The AB 2717 Landscape Task Force Report and Water Use Efficiency Policy and Programs in Orange County***

RECOMMENDED ACTION:

Consider for future policy action.

BACKGROUND:

Urban landscapes are an important feature in the quality of life in California communities. Yet with these attractive amenities there are significant supporting water requirements. Approximately a third of California's urban water consumption is devoted to outside landscaping, the single largest use of water in urban areas. Statewide, this use consumes almost 3 million acre-feet of our water resources.

With the pressures of population and employment growth slated for the SCAG region in the coming years, public agencies are faced with finding ways to conserve some of these water resources. These kinds of efforts are closely linked with maintaining the quality of life in our communities and encouraging those capacities that bring vitality and confidence to the region's economic performance.

For these reasons improving water use efficiency are important public policy issues affecting water suppliers, water users and the environment through:

- Reduced average daily water demand
- Reduced seasonal peak water demand
- Reduced water extractions
- Reduced runoff, overspray and soil erosion, resulting in improved water quality and less degradation of roads and other structures
- Reduced green waste production
- Avoided cost of energy
- Avoided cost of water treatment
- Avoided cost of wastewater treatment

AB 2717 called for the creation of a Task Force by the California Urban Water Conservation Council (CUWCC) with a requirement that the Task Force provide the Governor and Legislature with Findings, Recommendations and Actions by December 31, 2005. The Task Force met the deadline successfully and has submitted its Report.

The Task Force members identified a top twelve recommendations (of the 43 recommendations totally) for improved water use efficiency include:

1. Adopt water conserving rate structures as defined by the Task Force

2. Reduce the Evapotranspiration (ET) Adjustment Factor (the landscape water budget" in the Model Ordinance and review the ET Adjustment Factor every ten years for possible further reduction.
3. Enforce and monitor compliance with local ordinances and the Model Ordinance.
4. Require dedicated landscape meters.
5. Promote the use of recycled water in urban landscapes.
6. Require that local ordinances be at least as effective as the Model Ordinance.
7. Increase the public's awareness of the importance of landscape water use efficiency and inspire them to action.
8. Require Smart Controllers.
9. Adopt and enforce statewide prohibitions on overspray and runoff.
10. Provide training and certification opportunities to landscape and irrigation professionals.
11. Support upgrading the California Irrigation Management Information System Program.
12. Adopt performance standards for irrigation equipment.

The Task Force estimated that a full implementation of these recommendations can bring substantial water savings to California, ranging between 600,000 and 1,000,000 acre-feet. This would provide water to up to two million households at an estimated average cost of $250 to $500 per acre-foot.

A summary of the Final Report by the Task Force is available on the web:
http://www.cuwcc.org/landscape_task_force/AB2717_LTF_Exec_Summary_FINAL.pdf

Examples of this kind of water management in Orange County will illustrate the kinds of programs that can be used throughout the SCAG region.

MEMORANDUM TO THE WATER POLICY TASK FORCE

January 12, 2006

TO: ***Members of the Water Policy Task Force***

FROM: ***Daniel E. Griset, Sr. Regional Planner, 213.236.1895, griset@scag.ca.gov***

SUBJECT: ***Downey's Comprehensive Strategy for Managing Stormwater Runoff***

RECOMMENDED ACTION:

Consider for future policy action.

BACKGROUND:

Downey has developed a comprehensive strategy for minimizing urban runoff rather than confronting the eventual challenges and costs of treating runoff once it has entered its storm drain system. This strategy supports project designs and operating systems that direct flows into vegetated medians and swales rather than into storm drains. The intended result is to expose stormwater flows to the natural treatment values of vegetation that remove certain pollutants and to encourage infiltration of these redirected flows by increasing pervious surfaces in new city projects.

This strategy is being implemented in the following local settings: large commercial sites (shopping mall and supermarket), small commercial sites (fast food and large strip mall), parking lots (recreational, high school and MTA parking lots), multi-family residential, single family residential, street construction and a retail gas outlet.

The City operates this strategy in conjunction with the Regional Board's rules on runoff limitations defined in the Standard Urban Stormwater Management Plan (SUSMP). Comments about the operating characteristics of the SUSMP policy will be addressed in Mr. Greene's presentation.

ATTACHMENTS

ACWA' S Side-by-Side Comparison of Water Policy and Action Plans for 2005

Governor's 2006 State of the State Summary

South Delta IMPROVEMENTS PROGRAM

The California Department of Water Resources

Project Overview

The South Delta Improvements Program is a series of proposed actions that improve water quality and protect salmon in the southern part of the Sacramento-San Joaquin Delta while allowing the State Water Project to operate more effectively to meet California's existing and future water needs.

As California's population and economy grow, so does the need for responsible water management policies that improve water quality, increase water supply, allow our water systems to operate efficiently, and promote good stewardship of our natural resources.

To help meet these challenges, the Department of Water Resources (DWR) and the United States Bureau of Reclamation (Reclamation) work together to improve the water quality and supplies for the southern part of the Sacramento-San Joaquin Delta, protect fish and wildlife, and enhance water deliveries for the State Water Project (SWP) and the Central Valley Project (CVP). In 2000, these efforts were incorporated into the CALFED Bay/Delta Program Plan, a state and federal multi-agency framework to improve water management for beneficial uses of the Bay-Delta system.

Consistent with the CALFED Plan and the overall goals of improved water management of the Bay-Delta system, DWR and Reclamation have now prepared a draft Environmental Impact Statement/Environmental Impact Report (EIS/EIR) to implement the South Delta Improvements Program (SDIP). The SDIP is a series of proposed actions to improve water quality and protect salmon in the South Delta while allowing the SWP to operate more effectively. The proposed plan includes physical/structural improvements as well as operational changes. Together, these two components of the SDIP represent a balanced approach to meeting California's water needs.

Physical/Structural Component:

- Replace four seasonal rock barriers with permanent operable gates on Old River, Grantline Canal, Middle River and on Old River where it leaves the San Joaquin River. This will protect salmon and improve water levels and quality in the South Delta.

- Conduct limited dredging of Middle River and Old River and modify up to 24 local agricultural diversions. This will improve flows in Delta channels, provide better access to irrigation water, and limit the use of the operable gates at times that could harm fish.

Operational Component:

- Increase the maximum diversion limit at existing SWP facilities in the South Delta to provide more water for communities, businesses and agricultural users south of the Delta when it is environmentally sound to do so.

Looking south on Old River east of Coney Island.

Extensive Public Involvement and Review Process

In recent years, DWR has worked with a broad coalition of stakeholders to discuss project proposals for the SDIP. This extensive public participation effort, combined with a rigorous screening and selection process, led to the development of several project alternatives that are included in the draft EIS/EIR. The proposals reflect the continuing commitment of DWR and Reclamation to manage water project operations in a way that is beneficial to Delta water users, residents, and exporters, while protecting the flows and water quality needed to protect the Bay-Delta's valuable ecosystem.

The release of the draft EIS/EIR continues the public discussion of the SDIP in order to build a consensus on improved water management in the South Delta. Public meetings and hearings will be held in several locations throughout California to give people an opportunity to learn more about the proposed project and provide comments on the plan.

The SDIP has a two-stage decision-making process.

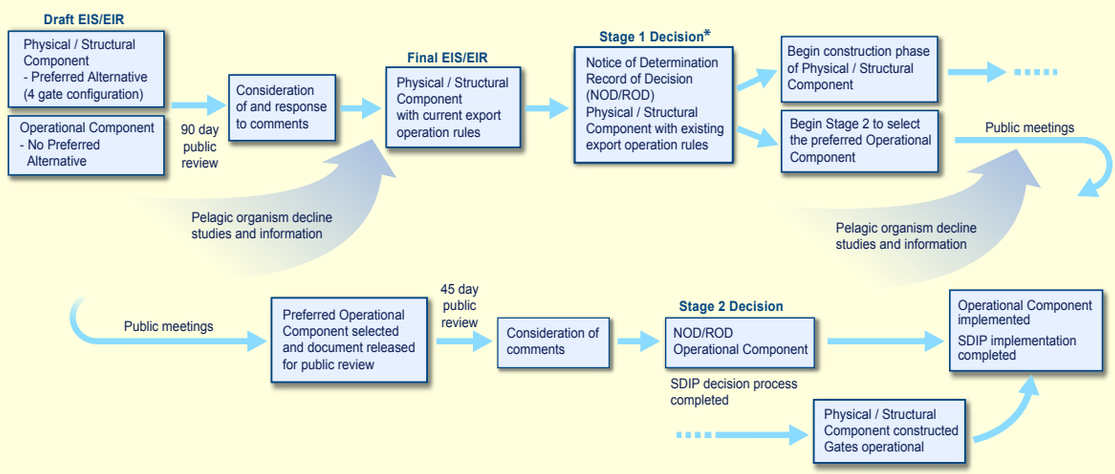
Stage 1 addresses the physical/structural improvements proposed in the SDIP. This includes the new operable gates, dredging and agricultural modifications.

After the 90-day public comment period, DWR and Reclamation will prepare a final EIS/EIR that responds to public and agency comments. At the end of Stage 1, a decision document (Notice of Determination/Record of Decision) will be issued for the physical/structural component.

Stage 2 addresses the proposed operational component to increase water deliveries south of the Delta, and begins after the Stage 1 decision is made. During Stage 2, new information about conditions that are impacting fish populations in the Delta may become available, and will be incorporated into the Stage 2 decision process. As Stage 2 nears completion, a supplemental document, consistent with environmental law, will be prepared and circulated for at least 45 days to provide an opportunity for the public to review and comment on the environmental analysis of the operational component. A second Notice of Determination/Record of Decision, which addresses the preferred operational component of the SDIP, will be issued to complete Stage 2.

Throughout the environmental review process, DWR will provide regular updates to the Delta Protection Commission and the Bay-Delta Authority.

South Delta Improvements Program Staged Decision and Implementation Process



*** Note:** It is possible that the No Action Alternative (Existing export operation rules and temporary barriers) would be selected in Stage 1. If this occurs, there would be no construction phase. A second stage that addresses both the Physical / Structural Component and the Operational Component would be considered.

The Proposed Project

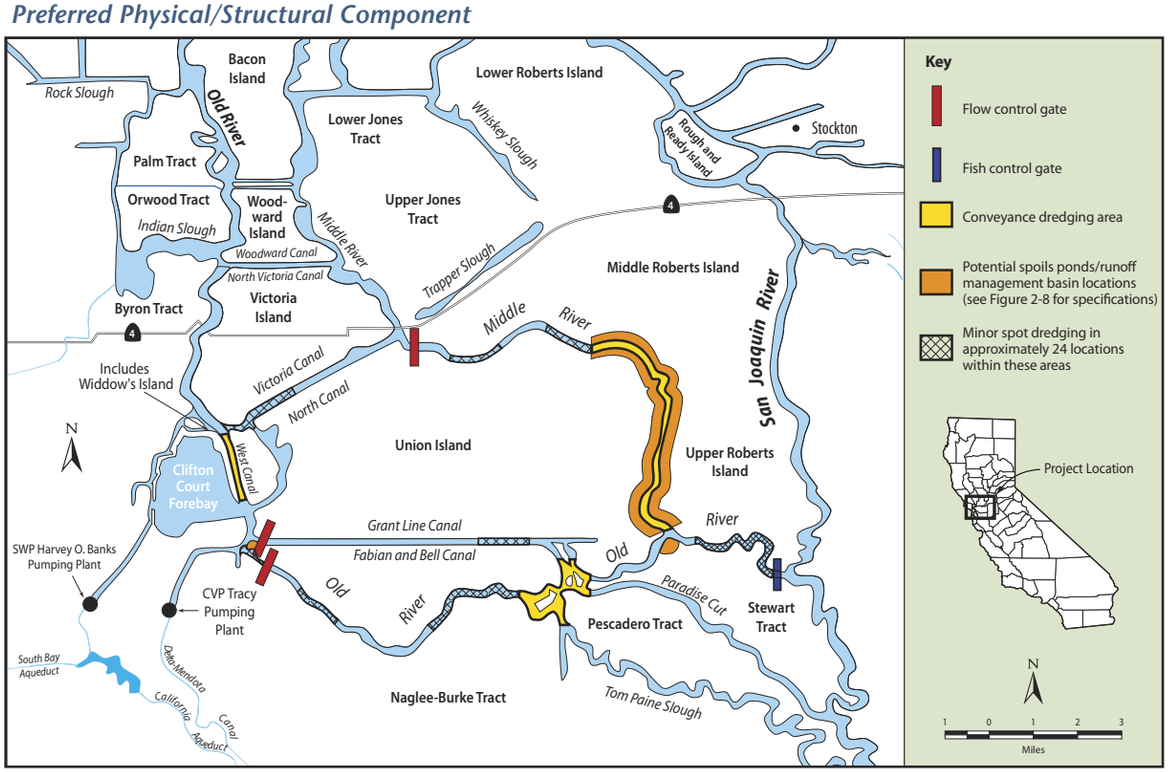
The Sacramento-San Joaquin Delta is the largest estuary on the West Coast. It consists of many river tributaries, sloughs and islands that support more than 750 plant and animal species. The Bay-Delta watershed supplies drinking water for two-thirds of all Californians. It also provides irrigation for more than 738,000 acres of Delta farmland and seven million acres of agriculture in other parts of the state. Careful management of the Bay-Delta water system is critical to California's economy and environment.

The SDIP responds to important water management and environmental needs in the Delta:

- Natural flow splits in the San Joaquin River direct about half the flow into Old River. The operation of the SWP and CVP facilities in the South Delta can change flow patterns in local channels. These factors can cause fall/late-fall Chinook salmon migrating down the San Joaquin River to move into the south Delta, where they are threatened by predators and exposed to agricultural diversions and pumping facilities.
- South Delta water users downstream of the head of Old River are affected by water quality and water levels at each intake location. Water levels are influenced by many factors, including SWP and CVP diversions in the South Delta. In addition, there are opportunities to improve circulation and, as a result, water quality in the South Delta.
- Water supply needs are growing south of the Delta for agricultural, residential, industrial and environmental uses.

The SDIP addresses these challenges and will help meet California's diverse water needs by responding to the changing conditions in the Bay-Delta, and by providing a framework to address environmental, water supply and water quality issues.

Preferred Physical/Structural Component



Environmental Actions and Water Quality

Since the inception of CALFED, the Ecosystem Restoration Program has played a vital role in protecting threatened and endangered species of Delta fish.

California has invested over $512 million for more than 400 ecosystem restoration efforts. More than 100,000 acres of Delta habitat have been protected or restored.

Since 2001, through the Environmental Water Account (EWA), CALFED agencies have worked to protect fish and reduce conflicts at Delta pumping facilities. Under the EWA, water is purchased from willing sellers or surplus water is diverted when safe for fish. Then it is banked, stored, transferred and released as needed to protect fish and compensate water users.

SDIP includes specific measures to protect San Joaquin River Salmon.

The proposed SDIP is designed to build on these efforts and respond to changes in Delta environmental conditions and fish populations. The proposal includes an additional $24 million to protect and restore Delta fish habitat, wildlife habitat, and to study the effectiveness of mitigation measures for the protected animals.

To mitigate for the potential effects on fish from the increased water diversions, an "avoidance and crediting system" is proposed to augment the current EWA. This system would be in effect until an expanded EWA is in place, or until improvements to SWP and CVP fish salvaging facilities and procedures are found to provide alternative cost-effective mitigation.

In addition to providing more reliable supplies of water and protecting salmon in the San Joaquin River, the SDIP will result in measurable water quality benefits. The preferred physical/structural component to install four new permanent operable gates results in a significant improvement in salinity levels in South Delta channels. Dissolved oxygen levels in the San Joaquin Deep Water Ship Channel will also improve during the summer months as a result of operating the gate at the head of Old River to reduce San Joaquin flow into the South Delta.

Decreases in water quality for Delta municipal water deliveries will be offset by projects already underway to modify agricultural drainage conditions near Veale and Byron Tracts. In addition, DWR and Reclamation will work with water agencies to identify and implement additional actions that may be needed to provide for the continuous improvement in water quality called for in CALFED.

Response to Changes in Delta Fish Populations

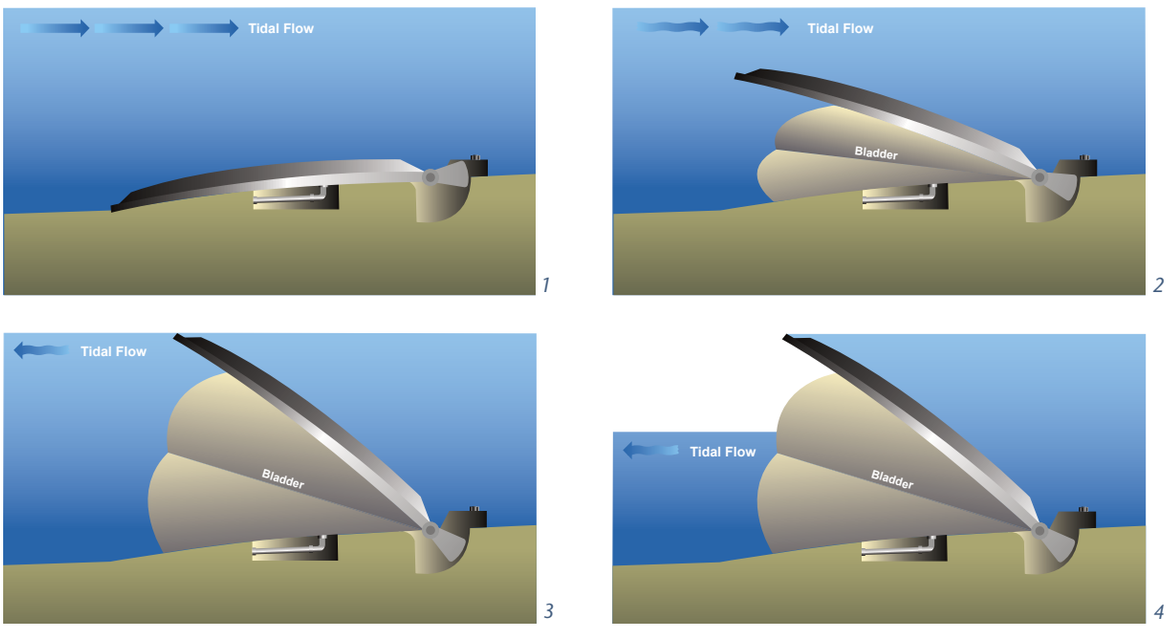
During the past three years, there have been significant and unexpected declines in the fish populations of several pelagic (open-water) fish species in the Bay-Delta region. In cooperation with scientists from across the country, the Interagency Ecological Program (IEP), an estuary monitoring and research program comprised of federal and state agencies, has responded with an aggressive program of focused research and sampling to help determine the causes of declining fish populations.

State and federal agencies have redirected staff, and DWR and Reclamation have provided increased funding to the IEP's current efforts to aggressively and fully evaluate whether pesticides, invasive species, food sources, and/or changes in state and federal water project operations may be contributing to this serious situation.

Initial information is being developed, but final answers as to the cause or causes for the decline in fish populations may take several years to fully assess. In the interim, programs to implement aspects of the CALFED Program will proceed cautiously and adapt to the critical factors affecting biological resources in the Bay-Delta estuary.

Physical/Structural Improvements

Permanent operable gate



Bottom hinged lift gates will maintain water levels and improve water quality in the South Delta.

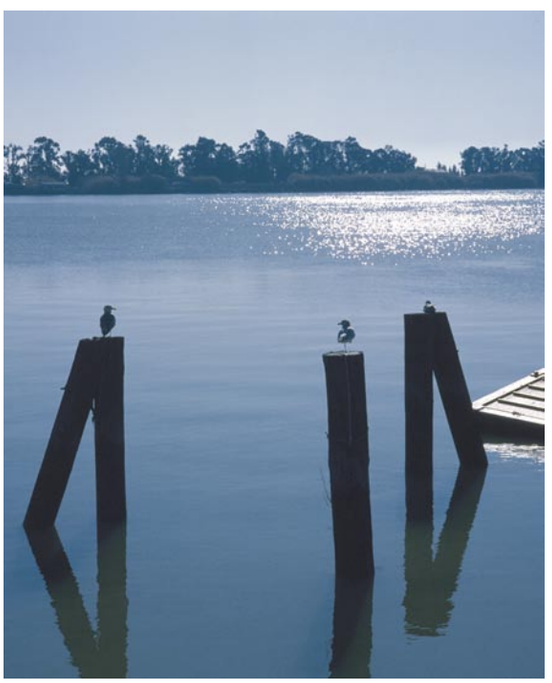
Physical/Structural Component Proposed in the SDIP

Preferred Alternative: Replace Temporary Rock Barriers with Four Permanent Operable Gates

The South Delta Temporary Barriers Project began in 1991 as an effort to improve water levels, circulation patterns and fish protection in the South Delta. The Head of Old River barrier protects salmon in the San Joaquin River during the spring and fall. Three other temporary rock barriers in the South Delta are used to improve conditions for local agriculture. Currently, hundreds of tons of rock are dumped into these four channels for a part of the year and then removed for the remainder of the year.

The draft EIS/EIR for the SDIP proposes replacing the temporary rock barriers with four permanent operable gates as a more efficient and effective way to protect migrating salmon and meets water needs for local agriculture.

The gates will be operated with tides to capture flow and improve circulation for agricultural water supplies. The gates can be raised and lowered as needed for fish passage and improved water levels and quality. Since they are permanently installed on the bottom of the channels, the gates can be in place and operable, when San Joaquin River flows are high. The temporary barriers can not be installed under high-flow conditions.



San Joaquin River

Operational Improvements

Operational Component Proposed in the SDIP

No Preferred Alternative at this Time

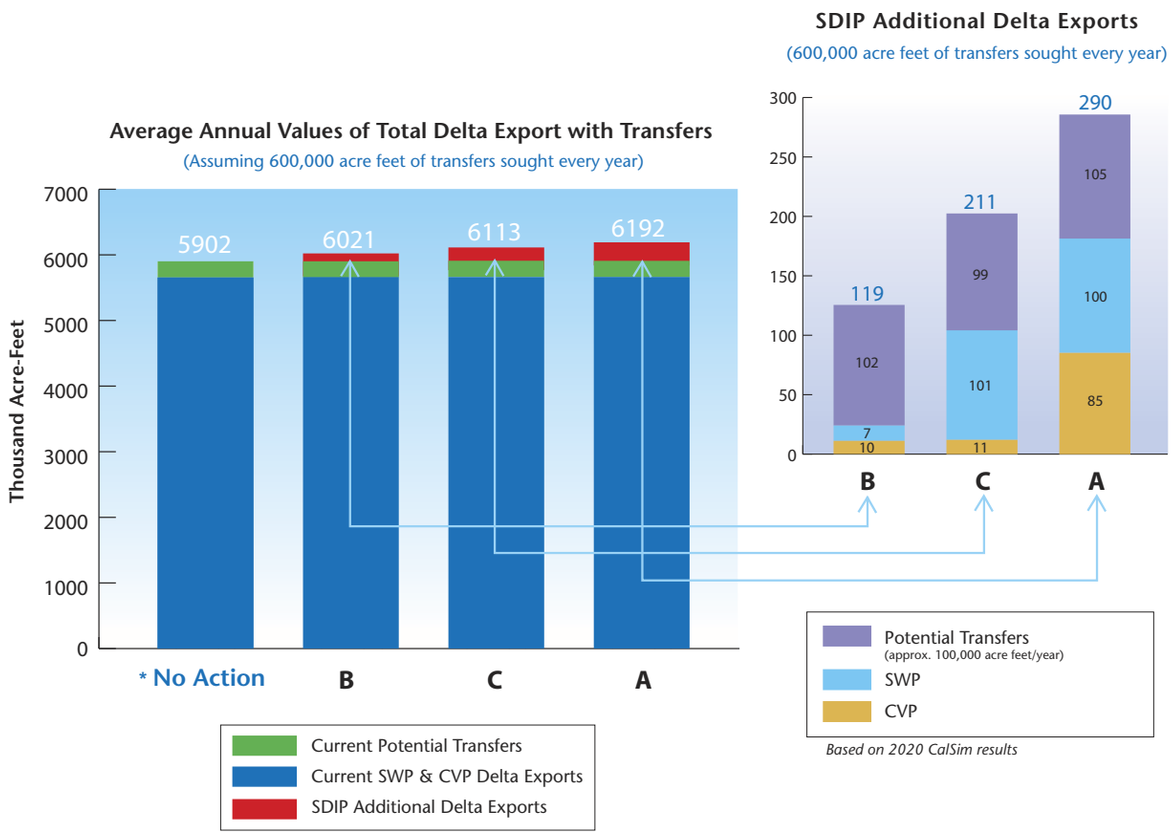
Although a goal of the SDIP is to increase water supplies south of the Delta, the draft EIS/EIR does not recommend a preferred operational alternative for the proposed change in the permitted diversion limit for the SWP. Because of the high level of public interest in this issue and the complexities involved in managing Delta water, the preferred operational component will be determined only after thorough public participation in which recommendations, ideas and comments on the draft EIS/EIR are received and fully considered.

To meet the needs of a growing population and dynamic economy, statewide water management systems must be improved to manage water supplies efficiently. The actions proposed in the SDIP would increase the permitted diversion limit for the SWP facilities in the South Delta from 6,680 cubic feet-per-second (cfs) to 8,500 cfs.

This proposed change does not require construction of any new facilities, but will define the conditions under which the existing diversion capacity can be used for more efficient and flexible project operations and increased deliveries.

While the total diversion capacity would appear to increase by 27 percent under the proposed changes, the three alternatives in the draft EIS/EIR would only increase the total water diverted for state and federal deliveries, environmental uses, and water transfers by about 3 percent to 5 percent. Even these increased exports would not be fully implemented until the permanent operable gates are constructed and operating, several years from now.

This increased capacity will be further restricted to those times when conditions allow increased diversions without adversely affecting local water users or the environment.



* No Action allows an average annual transfer of 250,000 acre feet/year.

South Delta
IMPROVEMENTS PROGRAM

Contact Information:

Copies of the draft EIS/EIR for the SDIP and additional information about the project is available at:
http://sdip.water.ca.gov/
or by contacting:

Department of Water Resources
Bay Delta Office
Paul Marshall
(916) 653-2118
marshall@water.ca.gov

U.S. Bureau of Reclamation
Division of Planning
Sharon McHale
(916) 978-5086
SMCHALE@mp.usbr.gov

Strategic Growth Plan Briefing Packet

Office of the Governor

Overview

In the 1950s and 1960s, Californians made a phenomenal investment in the state's highways, ports, water supply systems, schools, and universities. The leaders of the time had the foresight and commitment to build the infrastructure that is now the foundation of the sixth largest economy in the world. By the late 1960s, California had the most extensive and efficient highway system in the country, a higher education system that was the largest and one of the finest in the world, and a water supply system that was capable of accommodating the state's population growth well into the future. In the face of massive change and huge challenges, they built the foundation of California's prosperity.

Now it is this generation's turn to build a prosperous future for our children and grandchildren.

In 1955, the state's population was about 13 million. The state's population is now about 37 million. By 2025 it will be 46 million. The infrastructure investments of a half century ago are showing their age and straining to support a vibrant economy and a population much larger than they were designed to accommodate. Our highways and ports too often are choked by the volume of people and goods moving through them; demands on our water supply system are inching ever closer to the system's maximum capacity; and our communities need improved protection from natural disasters like floods and wildfires.

The Governor is proposing a comprehensive Strategic Growth Plan, which is the first installment of a 20-year investment on a future that will ensure California's quality of life and foster continued economic growth. The plan balances the necessity of meeting infrastructure needs with prudent and fair approaches to funding those needs. It charts a course for the first 10 years of this 20-year vision and assumes future legislators and governors will continue the investment in California.

PHASE ONE: TEN-YEAR FINANCING PLAN

Phase One of the Strategic Growth Plan will ensure California's quality of life and foster the state's continued economic growth through significant investments in infrastructure over the next ten years. Specifically, this plan lays out more than $222 billion in infrastructure investments, of which $68 billion will be financed with General Obligation (GO) bonds. The Governor proposes that the Legislature approve the entire ten-year plan as a single package; however, the GO bonds would be put before the people of California over a series of elections between 2006 and 2014

Strategic Growth Plan Ten Year Financing
(Dollars in Billions)

First Five Years

Program	Total	General Obligation and Lease Revenue Bonds GO	LR	Existing Funding Sources**	New Funding Sources**
Transportation/Air Quality	$42.0	$6.0	-	$25.0	$11.0
K-12*	17.5	7.0	-	10.5	-
Higher Education*	5.4	5.4	-	-	-
Flood Control and Water Supply	11.0	3.0	-	8.0	-
Public Safety	8.1	2.6	0.4	5.1	-
Courts & Other Public Service Infrastructure	2.3	1.2	0.4	0.7	-
Totals - First Five Years	**$86.3**	**$25.2**	**$0.8**	**$49.3**	**$11.0**

Second Five Years

Program	Total	General Obligation and Lease Revenue Bonds GO	LR	Existing Funding Sources	New Funding Sources
Transportation/Air Quality	$65.0	$6.0	-	$22.0	$37.0
K-12*	30.7	19.3	-	11.4	-
Higher Education*	6.3	6.3	-	-	-
Flood Control and Water Supply	24.0	6.0	-	13.0	5.0
Public Safety	9.3	4.2	-	5.1	-
Courts	1.0	1.0	-	-	-
Totals - Second Five Years	**$136.3**	**$42.8**	-	**$51.5**	**$42.0**
GRAND TOTALS TEN YEARS	**$222.6**	**$68.0**	**$0.8**	**$100.8**	**$53.0**

*K-12 and Higher Education will be combined in the bond proposals.

**Refer to Attachment 1 for details

General Obligation Bonds
Election Year Proposals
(Dollars in Billions)

	2006	2008	2010	2012	2014	Ten-Year Totals
Program						
Transportation/Air Quality	$6.0	$6.0	-	-	-	$12.0
Education*	12.4	4.2	$7.7	$8.7	$5.0	38.0
Flood Control and Water Supply	3.0	-	6.0	-	-	9.0
Public Safety	2.6	-	4.2	-	-	6.8
Courts & Other Public Service Infrastructure	1.2	-	1.0	-	-	2.2
Total	**$25.2**	**$10.2**	**$18.9**	**$8.7**	**$5.0**	**$68.0**

*Education Bonds include K-12 and Higher Education.

THE STRATEGIC GROWTH PLAN IS FISCALLY PRUDENT

- Capital projects are inherently long term investments and the use of bonds to cover their costs results in a slow and gradual increase in debt service levels, which California can well afford over time.

- The debt service on the bonds proposed in this plan will not exceed the generally accepted guideline of 6 percent of General Fund Revenue.

- The plan includes a proposal to enshrine the 6-percent limit in the Constitution.

- The plan also leverages new and existing funding sources to the maximum extent possible in order to keep General Fund costs as low as possible.

- Sufficient funds have been identified to meet the projected funding needs without raising taxes. The Strategic Growth Plan leverages all federal, state, and local revenue sources to the extent practicable.

- While recognizing that taxpayers have paid for existing infrastructure, and should not be asked to pay for it again through fees, the Strategic Growth Plan, where feasible, will require beneficiaries of new infrastructure improvements to pay the costs of these improvements.

- To ensure that all available resources are brought to bear to address California's infrastructure needs, innovative funding mechanisms will be utilized. Specifically, the Strategic Growth Plan requires expanded authority to fund and deliver projects through a variety of public-private partnerships.

- By the time the debt service from the bonds the Governor is proposing in his Strategic Growth Plan produce significant increases in debt service levels, the Economic Recovery Bonds will be fully paid off and the share of the budget now dedicated to debt service on them (about 1.5 percent of the budget) will be available to cover the new bonds.

Strategic Growth Plan Financing
Debt Ratio

Base plus Proposed Strategic Growth Plan *
(dollars in thousands)

Year	Authorization	Debt Service	GF Revenue	Debt Service Ratio
2004-05		$3,673,041	$79,935,000	4.60%
2005-06		3,950,285	87,691,000	4.50%
2006-07	$25,200,000	4,351,482	92,005,000	4.73%
2007-08		4,652,100	96,645,000	4.81%
2008-09	10,200,000	5,385,000	101,659,000	5.30%
2009-10		6,040,800	108,005,000	5.59%
2010-11	18,900,000	6,592,600	115,586,000	5.70%
2011-12		6,811,300	123,726,000	5.51%
2012-13	8,700,000	7,375,900	131,351,000	5.62%
2013-14		8,044,700	137,918,550	5.83%
2014-15	5,000,000	8,559,000	144,814,478	5.91%
2015-16		8,941,600	152,055,201	5.88%
2016-17		9,284,700	159,657,961	5.82%
2017-18		9,425,500	167,640,860	5.62%
2018-19		9,494,400	176,022,902	5.39%
2019-20		9,592,700	184,824,048	5.19%
2020-21		9,533,600	194,065,250	4.91%
2021-22		9,559,900	203,768,512	4.69%
2022-23		9,503,000	213,956,938	4.44%
2023-24		9,443,000	224,654,785	4.20%
2024-25		9,424,200	235,887,524	4.00%
2025-26		9,425,800	247,681,900	3.81%
Total	$68,000,000			

* Base Assumes: 1) all currently authorized but unissued bonds are sold over the next six years, 2) Voters approve $0.6 billion Library bonds already approved for the 2006 ballot and 3) the proposed High Speed Rail bond is withdrawn.

PROPOSED SIX PERCENT DEBT CAP

The Governor will propose a constitutional amendment that would limit the ability of the Legislature and the Governor to incur certain General Fund-supported debt – including voter-approved General Fund-supported debt -- if debt service on that debt plus the debt service on similar, outstanding General Fund-supported debt is expected to exceed 6% of General Fund revenues in any given year for five years into the future.

The measure would require the Governor's budget to contain five-year estimates of General Fund revenues and debt service payable on outstanding certain General Fund-supported debt. The Legislature and the Governor will be permitted to budget the expenditure of General Fund revenue that will result in new General Fund-supported debt of this type only to the extent that debt service on that resulting debt will not exceed 6% of the estimated General Fund revenues in any of those five years.

Affordability of Strategic Growth Plan

The State currently sets aside the equivalent of one quarter of one percent of the sales tax to pay debt service on the Economic Recovery Bonds. In the year 2010-11, the bonds will be fully repaid, making those funds available to pay debt service on the SGP bonds. For example, in Fiscal Year 2010-11 the one-quarter cent set aside will generate $1.715 billion and the required debt service will be $1.125 billion

YEAR	Projected Debt Service Ratio Under SGP	Difference Between Base Debt Service Commitment and Debt Service for SGP		Resources Available After Paying Off ERB
		%	$	$ **
2006-07	4.73%	0.00%		
2007-08	4.81%	0.08%	$80,792	
2008-09	5.30%	0.57%	$576,529	
2009-10	5.59%	0.86%	$932,164	
2010-11	5.70%	0.97%	$1,125,382	$1,715,362
2011-12	5.51%	0.78%	$959,060	$1,800,775
2012-13	5.62%	0.89%	$1,162,998	$1,893,576
2013-14	5.83%	1.10%	$1,521,153	$1,990,608
2014-15	5.91%	1.18%	$1,709,275	$2,093,288
2015-16	5.88%	1.15%	$1,749,389	$2,197,953
2016-17	5.82%	1.09%	$1,732,878	$2,307,851
2017-18	5.62%	0.89%	$1,496,087	$2,423,243
2018-19	5.39%	0.66%	$1,168,517	$2,544,405
2019-20	5.19%	0.46%	$850,523	$2,671,625
2020-21	4.91%	0.18%	$354,314	$2,805,207
2021-22	4.69%	-0.04%	-$78,351	$2,945,467
2022-23	4.44%	-0.29%	-$617,163	$3,092,740
2023-24	4.20%	-0.53%	-$1,183,171	$3,247,377
2024-25	4.00%	-0.73%	-$1,733,280	$3,409,746
2025-26	3.81%	-0.92%	-$2,289,554	$3,580,234

** Available resources after ERB payoff (based on current sales tax revenue estimates escalated at 5% annual growth, consistent with historical growth patterns)

TRANSPORTATION

Governor Schwarzenegger has proposed the Strategic Growth Plan, part of which is a historic comprehensive transportation investment package that incorporates GoCalifornia, a plan designed to decrease congestion, improve travel times, and increase safety. The Governor's Strategic Growth Plan for transportation is designed to reduce congestion below today's levels while accommodating future transportation needs from growth in the population and the economy. This will be done by both deploying demand-management strategies, such as dedicated truck lanes and high occupancy toll lanes, and building new capacity to increase "throughput" in the system. It will enable more traffic to move through existing roadways, rehabilitate thousands of miles of roads, add new lanes, and increase public transportation ridership. This effort will require innovation in transportation planning, construction and management, sustained coordination among regional transportation agencies and the state, and dedicated funding.

Over the next ten years, daily congestion (measured by daily hours of delay) is projected to increase 35% from 558,143 hours in 2005 to 753,000 hours in 2016 (based on current trends and 2003-04 amounts of investment). With the Governor's Strategic Growth Plan, congestion levels are estimated to be 454,000 hours daily, a reduction of 104,143 hours (18.7%) below today's levels. The capacity or "throughput" will increase by 15 percent.

In addition to congestion relief, the $107 billion investment also results in:

- 550 new HOV lane miles
- 750 new highway lane miles
- 9,000 lane miles rehabilitated
- 15 percent increase in throughput
- 600 miles new commuter rail lines
- 310,000 more transit passengers per day
- 37 percent increase in transit ridership
- 11 more inter-city rail round trips
- 150 percent increase in inter-city rail ridership
- 8,500 miles of separated bike and pedestrian paths

The ten-year growth plan consists of the following expenditure components:

- $21.2 billion for major projects on state interregional routes and to expand and complete the High Occupancy Vehicle lane system
- $18.9 billion to expand trade corridors and regional priorities
- $18.9 billion for capacity expansion on major corridors of the highway system by using strategies such as adding auxiliary lanes, using technology to assist drivers, and improving interchanges
- $4.5 billion to expand existing transit rail and to add new urban commuter rail and intercity passenger rail
- $28.9 billion for rehabilitation and preservation of the state highway system
- $7.9 billion for safety and operational improvements on the state highway system
- $3 billion for transportation technology and Intelligent Transportation Systems
- $2 billion for port improvements and environmental mitigation

- $943 million to expand park and ride opportunities and bicycle and pedestrian routes
- $471 million to improve transit and rail services
- $297 million to expand the Freeway Service Patrol

Summary of 10 Year Transportation Spending Plan

Category of Investment	Total 10-Year Need (Billions)	First 5 Years $6 Billion Bond	Second 5 Years $6 Billion Bond	*Total Bond (Billions)*
Port Mitigation-environmental improvements	2.0	1.0		*1.0*
Highways Corridor Mobility Projects Performance Projects (State Inter-Regional Focus Routes and Regional Priorities)	53.3	2.0 (0.3) (1.7)	3.6 (3.6)	*5.6* *(0.3)* *(5.3)*
Transit/Rail Inter-City Passenger Rail Pedestrian/Bike Paths and Park and Ride Facilities	4.5	0.5 (0.4) (0.1)	0.2 (0.1) (0.1)	*0.7* *(0.5)* *(0.2)*
Technology – ITS	3.3	0.2		*0.2*
Safety and Preservation	28.9	1.3	0.2	*1.5*
Trade Infrastructure	15.0	1.0	2.0	*3.0*
Totals	**107.0**	**6.0**	**6.0**	***12.0***

Funding includes $47 billion in existing transportation funding sources such as the gas tax, Proposition 42, and federal funds. A total of $48 billion in new funding is proposed from leveraging existing funds and new bond funds to attract increased federal, private, and local funding, as well as using revenue bonds repaid from state gas tax and federal funds. The remaining $12 billion of need is proposed to be derived from GO bonds.

2006 transportation bond (2006-07 through 2010-11) — $6 billion

- $1.7 billion to increase highway capacity
- $1.3 billion for safety and preservation improvements to the state highway system
- $1 billion for port improvements, mitigation related to programs and projects that reduce diesel emissions, and mitigation of other community impacts
- $1 billion for goods movement infrastructure, which will reduce related road congestion
- $400 million for intercity rail expansion
- $300 million for corridor mobility improvements
- $200 million for Intelligent Transportation Systems

- $100 million to expand park and ride opportunities and bicycle and pedestrian improvements

2008 transportation bond (2011-12 through 2016-17) — $6 billion

- $3.6 billion for highway projects that provide congestion relief and meet or exceed performance measures for improved corridor performance
- $2 billion for goods movement infrastructure, which will reduce related road congestion
- $200 million for highway safety and preservation projects
- $100 million for additional intercity rail expansion
- $100 million to expand park and ride opportunities and bicycle and pedestrian improvements

Proposition 42 Protection

The Administration proposes a constitutional amendment to permanently protect Proposition 42 funds for transportation and eliminate the option for future governors and legislatures to suspend the allocation.

Project Delivery Improvements

The Administration is again proposing legislation to provide authority to deliver projects more quickly and efficiently through the use of design-build contracting and design-sequencing. Both of these techniques are standard practice in the private-sector construction industry. Savings over ten years from these reforms is estimated to be almost $1 billion.

The Administration is also proposing expanded authority to fund and deliver projects through a variety of public-private partnerships. This approach is intended to be used where a predictable stream of revenue can be generated to repay private capital investments (such as toll roads or dedicated truck lanes).

Air Quality and Trade

The Strategic Growth Plan reflects $18.9 billion for major goods movement projects. Bond funds totaling $4 billion are proposed for the state contribution to this overall effort. Most, if not all, of the projects are to be accomplished through a variety of public-private partnerships to provide significant matching funds to the bonds.

Transportation Bond Fund Expenditure Summary

Category of Projects	Total ($ Billions)
Highways	**5.6**
Performance Projects	
Regional Priority Routes	3.3
SR 99 Corridor Enhancement Master Plan	1.0
State Inter-Regional Routes	1.0
Corridor Mobility Management Program	0.3
Technology	**0.2**
Transportation Technology (ITS)	0.2
Rail and Transit	**0.7**
Inter-City Rail	0.5
Park-and-Ride Facilities, Pedestrian/Bike Paths	0.2
Trade Infrastructure	**4.0**
Air Quality Improvements -- Existing Impact Mitigation	1.0
Trade Corridors and Goods Movement Infrastructure	3.0
Safety and Preservation	**1.5**
State Highway Operations and Preservation Program (SHOPP)	1.5
Total Transportation and Air Quality Bond	**12.0**

EDUCATION

In the next ten years, over 600,000 more students will be attending our colleges and universities. Additionally, our K-12 schools will experience net increases in student enrollment approaching a quarter of a million students. As our system of over 8,000 school sites continues to age, the need for modernization funds will continue to increase during this period.

K-12 Education
The Ten Year Strategic Growth Plan includes a series of GO bond measures totaling $26.3 billion for K-12 education facilities needs through 2016-17. The Governor's proposal would authorize the placement of an initial $7 billion GO bond measure on the June 2006 primary election ballot, with the remaining $19.3 million spread over election cycles through year 2014.

Initial 2006 Education Bond Measure Proposes $7 Billion for K-12
The initial $7 billion bond measure is estimated to fund construction of approximately 9,700 new classrooms housing 252,000 students and 38,800 modernized classrooms providing state-of-the-art capacity for over one million students. The bonds would be allocated as follows:

- $1 billion for charter schools
- $1 billion for career technical education facilities
- $1.7 billion for new construction*
- $3.3 billion for modernization*

*Of the amount allocated for new construction and modernization, $500 million would be earmarked for small school development.

2008-2014 Bond Measures Propose $19.3 Billion for K-12
- $7.7 billion for new construction**
- $8.8 billion for modernization**
- $1.4 billion for charter schools
- $1.4 billion for career technical education facilities

**Of the amounts allocated for new construction and modernization, 10 percent would be earmarked for small school development

Higher Education
The higher education bond is proposed to fulfill the commitment agreed to in the Compact with UC and CSU. In addition, it provides a like amount for the community colleges. Bond expenditures proposed for the budget year for each segment are as follows:

- $400 million for telemedicine will be used to provide facilities and state-of-the-art equipment needed to expand UC's medical education programs, so that more physicians are trained and better qualified to meet health care needs in underserved areas, including rural and inner-city areas.

- $315.4 million from the proposed bonds for the construction and renovation of 29 buildings on UC campuses. These buildings are needed for critical infrastructure deficiencies and to meet enrollment and facility renewal needs at UC campuses.

- $234 million from the proposed bonds for the construction and renovation of 15 buildings on CSU campuses. These buildings are needed for critical infrastructure deficiencies and to meet enrollment and facility renewal needs at CSU campuses.

- $491.7 million from the proposed bonds for the construction and renovation of 58 buildings in 38 community college districts. In addition, 30 districts have committed to use $261 million in locally approved Proposition 39 funds to support their projects.

CALIFORNIA'S WATER FUTURE

California's history has been shaped by water. The early history of the Golden State is a history of floods and droughts. Although ample precipitation arrives in the state from the Pacific, its distribution is uneven. Two-thirds of all precipitation occurs in Northern California, while two-thirds of the state's population lives in Southern California. As a result, the history of the state has been marked by major efforts to withstand droughts and floods, and address the imbalance between locations where water is plentiful and the places where people live and work.

The twentieth century saw great advances in Californians' ability to manage water during times of abundance and shortage. Flood control systems were put into place to protect farmland in the Central Valley and the Delta. Water projects brought a dependable supply to farms and growing cities. The first projects were local or regional. Later, the Central Valley Project brought additional supplies to the San Joaquin Valley and other areas. Finally, in 1960, the California State Water Project (SWP) was authorized by passage of the 1960 California Water Resources Development Bond Act, which provided $1.75 billion for construction costs. The SWP provides drinking water for 23 million Californians, high quality water essential for manufacturing facilities such as those in Silicon Valley, and irrigation for 750,000 acres of prime agricultural land.

The flood control projects and water projects of the last century were developed by visionary Californians who were willing to carry out the projects that others dismissed as impossible. These projects were built because early Californians recognized the need to invest in infrastructure that would protect our farms and cities and support our economy. However, at the time the SWP was authorized, California's population was 15.7 million – less than half its current 37 million. It is now time to build upon the achievements of previous generations of Californians. Today we must invest in flood management, water supply reliability, water quality protection, and ecosystem restoration in order to ensure that California continues to enjoy clean reliable water supplies and a healthy economy in the 21st Century.

The Governor's Strategic Growth Plan will invest $35 billion to maintain and improve our levee and flood control system and provide for safe, reliable water supplies, including $6 billion over the next 10 years to strengthen California's levee and flood management system. Of the total amount, $21 billion is expected from existing funding sources (federal and local), $9 billion from general obligation bonds, and a new revenue source, the Water Resources Investment Fund, which will generate approximately $5 billion over 10 years.

The numbers above reflect anticipated revenues based on historical patterns and currently projected funding availability. The majority of the bond funds will go out in the form of matching grants or the state share of federal cost-share projects.

Summary of "Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts" of 2006, 2010

(Dollars in thousands)

Program, Project, or Bond Provision	Total Investment	2006 Bond Amt.	2010 Bond Amt.	Federal Funds [1]	Other State Funds [2]	Local Funds
Levee System and Flood Protection	$6,000,000	$1,000,000	$1,500,000	$3,000,000	$ -	$500,000
Project Levee and Facilities Repair		$210,000	$300,000			
Flood Control and Levee System Improvements		$200,000	$200,000			
Delta levee Subventions and Special Projects		$210,000	$700,000			
Flood Control Subventions		$250,000	$200,000			
Floodplain Mapping		$90,000	$ -			
Floodway Corridor Program		$40,000	$100,000			
Integrated Regional Water Management	$29,000,000	$2,000,000	$4,500,000	$2,000,000	$5,000,000	$15,500,000
Regional Water Management Grants (e.g. water conservation, water recycling, desalination, conjunctive management, watershed management, pollution prevention, etc.)		$1,000,000	$2,000,000			
Statewide Water Management						
Water Quality Improvements		$250,000	$500,000			
State Support for Development of New Storage		$250,000	$1,000,000			
Science and Technology (including desalination technology)		$300,000	$500,000			
Resource Stewardship		$200,000	$500,000			
TOTAL	***$35,000,000***	***$3,000,000***	***$6,000,000***	***$5,000,000***	***$5,000,000***	***$16,000,000***

Footnotes:

(1) The federal share of projects reflects historic cost share arrangements. However, precise cost-shares vary by type of project.

(2) Establishment of a Water Resources Investment Fund for additional sustained water management efforts. Resources to this fund will include non-General Fund-based revenue sources and will be used for projects of regional and statewide benefit (approximately $5 billion).

Federal Funds: The federal government pays 50-70 percent of the cost of federally approved flood control projects and about 8 percent on average of water supply projects. DWR estimates that $5 billion will be available in federal support for flood control and water supply projects during the 10-year period.

Local Funds: Water supply projects are largely paid for by local public water agencies, through the rates they charge users. DWR estimates that these investments will total $16 billion.

Other State Funds: The California Water Resources Investment Fund will be from a new fee collected from each retail water purveyor. Two-thirds of the funds collected will be returned to locals to fund integrated regional water projects, and one-third will be retained by the state for statewide water resource management programs including surface storage.

The Administration intends to pursue a package of reforms that include the following:

- The enactment of AB 1665, a measure to reform flood management and the financing of flood control improvements.
- Enactment of ACA 13 to allow flood management projects to proceed as other necessities such as water and sewer service.

PUBLIC SAFETY

State and Local Detention Facility Construction

The Governor is proposing a groundbreaking partnership between the state and local agencies to help manage inmate population at all levels of government. This proposal will result in an increase in the number of available local jail beds that will alleviate overcrowding in both state and local facilities, enhance the safety for correctional staff and inmates, and enhance the safety of the local communities by keeping offenders locked up for the appropriate time as prescribed by the court. The $6 billion proposal is the initial five-year plan to address state and local detention facility needs. In the second five years, the Governor proposes another $6 billion for local jail construction ($2 billion GO bonds); along with $1.1 billion additional GO bonds to build new prisons or juvenile detention facilities at CDCR.

This program will consist of the following components:

- $2 billion of state GO bonds to provide jail construction grants to local agencies.
- $2 billion in matching funds from local governments, required by the grant program.
- $2 billion from local bonds secured by the portion of revenues received by local agencies from the state as payment to use jail beds in these new facilities.

Other Public Safety Needs

The Strategic Growth Plan includes $600 million in GO bonds to fund critical public safety projects, including replacement or relocation of old and deteriorated emergency response facilities for the Department of Forestry and Fire protection, such as forest fire stations, air attack bases, and conservation camps. In addition, the multiyear funding proposal includes funding for the Department of Justice to provide for the permanent replacement of the current DNA lab. All these programs support the essential efforts of the state's public safety employees.

Courts and Other Public Service Infrastructure

A significant number of the court facilities do not meet current security standards, working conditions or accessibility standards. To ensure the continued provision of justice and provide for staff and public safety, there will be a need for considerable improvement of these facilities. The Governor proposes GO bonds totaling $1.8 billion over a ten-year period:

- $800 million for fiscal years 2006-07 through 2010-11
- $1 billion for years 2011-12 through 2015-16.

In addition, the Strategic Growth Plan proposes $400 million in GO bonds over the next five years to address the state's most critical needs for the infrastructure of other public services, including seismically retrofitting high-risk state buildings and addressing health and safety issues at state parks facilities.

Attachment 1

Existing and New Funding Sources to Support Strategic Growth Plan

STRATEGIC GROWTH PLAN
OTHER EXISTING FUNDING SOURCES
AND
NEW FUNDING SOURCES

Transportation/Air Quality

- **Other Existing Funding Sources**
  - $20 billion – State and Federal Fuel Excise Tax and Weight Fees: Constitutional revenue-very stable. This represents the amounts spent recently on the state capital program.
  - $1 billion - Tribal Bond: Current law, may be further delayed by litigation. If we cannot do bonds, we still get $100m for next 18 years from the existing compacts.
  - $0.5 billion - Caltrans Efficiencies: $50m state ops savings already built into Caltrans' cap outlay budget.
  - $13 billion - Prop. 42: SGP will include Prop. 42 firewall, so future transfers are certain to occur. This represents $1.55 billion average annual revenue less $250 million for local streets and roads maintenance. This is about the level they are getting in 2005-06 and 2006-07 but far less than they would get under normal allocation in 2008-09 and on-going. Reducing allocation requires two-thirds vote bills.
  - $2.5 billion - Prop 42 loan repayments: This is current law. GB proposes to repay $920 million early. This number assumes they are paid on time with interest.
  - $10 billion - Fed Reauthorization: This additional resource level reflects the recent reauthorization bill.

- **New Funding Sources**
  - $9 billion - Extended/New Local Transportation Sales Tax Measures: Caltrans estimate of amounts from recently reauthorized and planned new measures likely to be contributed to projects in the plan. No proposal to change vote requirements.
  - $0.9 billion - Design-Build/Design Sequencing: Authority to be provided in joined legislation. $90 million annual savings is reasonable.
  - $2 billion - Public/Private Partnerships (HOT Lanes, Toll Lanes). May include projects with both public and private investment.
  - $14 billion - Public/Private Partnerships (Trade/Goods Movement): State bond money to be required to be matched 1:1 for port mitigation and 4:1 for goods movement. Likely to include some form of container fees as well as tolls. Also includes railroad investments. Amounts based on specific projects.
  - $5 billion - Additional Federal Funds: Additional earmarks for national trade corridors will be sought. Bond money and private money will leverage.

- $3.1 billion - GARVEE Bonds: Can legally bond against federal funds. Would likely be done in later years of the 10-year plan as construction spending ramps up.
- $14 billion - Gas Tax and Weight Fee Revenue Bond: Can legally bond Art XIX revenue per Sec 5. Limited to 25 percent per Constitution. This equates to about $969 million in 2015, the first year that a portion of the Art XIX revenues would be securitized. Assuming a 5 percent interest rate over 30 years, this securitized amount will generate about $14 billion. After securitizing the $969 million in 2015, $2.9 billion of Art XIX revenues will continue to be available for transportation projects.

K-12

- **First Five Years-Other Existing Funding Sources**
  - $4.1 billion existing GO bonds estimated to be available.
  - $6.4 local match from school districts for the remaining bonds.

- **Second Five Years-Other Existing Funding Sources**
  - $11.4 local match from school districts for new bonds.

Flood Control and Water Supply

- **Other Existing Funding Sources**
  - $5 billion in Federal funds – The federal government pays 50-70 percent of the cost of federally approved flood control projects and about 8 percent on average of water supply projects. DWR estimates that $5 billion will be available in federal support for flood control and water supply projects during the 10-year period.
  - $16 billion in Local investments – Water supply projects are largely paid for by local public water agencies, through the rates they charge users. DWR estimates that these investments will total $16 billion.

- **New Funding Sources**
  - Up to $5 billion is anticipated to be provided by the California Water Resources Investment Fund from a new fee collected from each retail water purveyor. Two-thirds of the funds collected will be returned to locals to fund integrated regional water projects, and one-third will be retained by the state for statewide water resource management programs including surface storage.

Public Safety

- **First Five Years-Other Existing Funding Sources**
  - $2 billion will be provided by various counties to match grant awards received from the state for jail construction.
  - $2 billion will be paid by the state over a 25 to 30 year period for the utilization of jail beds. The funds will come from the California Department of Corrections and Rehabilitation (CDCR) budget for population and contract jail beds.
  - $1.1 billion from existing funding sources represents $815 million from GF, $140 million from special funds and $183 million from federal funds. This level of funding is what is projected in state departments' five year infrastructure plans and is consistent with historical contributions of these funding sources.

- **Second Five Years-Other Existing Funding Sources**
  - $2 billion will be provided by various counties to match grant awards received from the state for jail construction.
  - $2 billion will be paid by the state over a 25 to 30 year period for the utilization of jail beds. The funds will come from the CDCR budget for population and contract jail beds.
  - $1.1 billion from existing funding sources is estimated to be similar with the first five years, consistent with historical contributions of these funding sources.

Courts and Other Critical Infrastructure

- **First Five Years-Other Existing Funding Sources**
  - $0.7 billion represents $185 million from the GF, $445 million from special funds and $38 million from federal funds. This level of funding is what is projected in state departments' five year infrastructure plans and is consistent with historical contributions of these funding sources